

BEFORE THE
POSTAL RATE COMMISSION
WASHINGTON, D.C. 20268-0001

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OFFICE OF THE SECRETARY

POSTAL RATE AND FEE CHANGES

Docket No. R2001-1

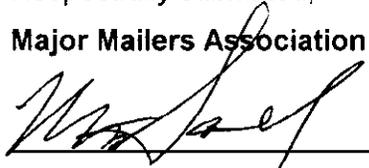
**Major Mailers Association's Second Set Of
Interrogatories And Document Production Requests
To USPS Witness Michael W. Miller**

Pursuant to Rules 25 and 26 of the Commission's Rules of Practice, Major Mailers Association herewith submits the following interrogatories and document production requests to United States Postal Service witness Michael W. Miller: **MMA/USPS-T22-26-32**. If the designated witness is unable to answer any of these questions, please direct them to the appropriate witness who can provide a complete response.

Respectfully submitted,

Major Mailers Association

By:

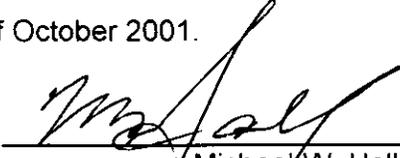

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540-554-8880
Counsel for
Major Mailers Association

Dated: Round Hill, VA
October 24, 2001

CERTIFICATE OF SERVICE

I hereby certify that I have this day served the foregoing discovery request upon the United States Postal Service, the Designated Officer of the Commission, and participants who requested service of all discovery documents, in compliance with the Commission's Rules of Practice.

Dated this 24th day of October 2001.


Michael W. Hall

ORIGINAL

**Major Mailers Association's Second Set Of Interrogatories And Document
Production Requests For USPS Witness Michael W. Miller**

MMA/USPS-T22-26 Please refer to Library Reference USPS-LR-J-60, particularly pages 15 and 16, and USPS witness Kingsley's testimony on pages 9 and 10. Ms. Kingsley's testimony describes several factors that would make a letter non-machinable, requiring manual processing throughout the Postal mailstream.

- A. Please confirm that for purposes of estimating metered mail letter costs, you assumed that 100% of the letters would not be culled out or rejected by the mailed prep operation and sent directly to the RBCS for processing. If you cannot confirm, please explain.
- B. Please indicate what Postal requirements, if any, regulate single piece metered letters to make sure that they are not culled out or rejected by the mail prep operation?
- C. Please confirm that according to the Direct Testimony of USPS witness Kingsley (USPS-T-39 at 9-10), the following factors can make an otherwise machinable letter non-machinable. If you cannot confirm, please explain why not.
 - 1. aspect ratio of less than 1.3 or more than 2.5;
 - 2. closure device;
 - 3. non-square corners;
 - 4. rigid or odd-shaped contents;
 - 5. stiffness;
 - 6. flimsiness;
 - 7. misplacement of address;
 - 8. self mailer whose folded edge not parallel to longest dimension;
 - 9. booklet whose spine is not the longest edge; and
 - 10. unreadable or improper address.
- D. Why is it that the letter processing mail flow that you use to derive the unit processing cost for metered mail fails to include metered mail letters that might not be machinable for any of the reasons described in Part C?
- E. By using BMM as the benchmark from which to measure Automation cost savings, do you implicitly assume that BMM would be designed to meet automation requirements in the same manner as Automation letters, in the absence of the discount? If your answer is yes, please explain why you think that BMM mailers would take the same care in designing their mail pieces as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in

designing their mail pieces to meet the Postal Service's automation requirements.

- F. By using BMM as the benchmark from which to measure Automation cost savings, do you implicitly assume that, in the absence of the discount, BMM addresses would be as complete and up-to-date to meet all applicable USPS move-update requirements as Automation letters in fact are? If your answer is yes, please explain why you think that BMM mailers would take the same care in maintaining complete, accurate and current addresses as First-Class automation mailers are required to take. If your answer is no, please explain what steps you believe BMM mailers take in maintaining their address lists to meet the Postal Service's worksharing requirements, state the basis for your belief, and provide all documents you review in providing a response to this interrogatory.

MMA/USPS-T22-27 Please refer to your model cost derivations where you include a post office box sort as part of the incoming secondary and to Library Reference USPS-LR-J-117, file worksheet "Delivery Volumes."

- A. Please define exactly what "post office box sort" means and whether or not this includes depositing the letters into a post office box or a sack or tray for caller service.
- B. For Automation letters, did you assume that 13% of the letters are addressed to a post office box, as found by USPS witness Schenk? If no, please explain.
- C. For metered letters did you assume that 33% of the letters are addressed to a post office box, as found by USPS witness Schenk for First-Class single piece letters. If no, please explain.

MMA/USPS-T22-28 Please refer to page 20 of your Direct Testimony and page 1 of Library Reference USPS-LR-J-60, where you assume that the unit delivery cost for metered letters would be the same as for non-automation, machinable mixed AADC letters.

- A. Is it your understanding that the unit costs as derived in Library Reference USPS-LR-J-117 are significantly affected by the number of letters within a given category that are delivered to a post office box? If no, please explain.
- B. What is the relationship between the number of letters delivered to a post office box and the rate category within which a letter is mail?
- C. What percent of First-Class single piece letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

- D. What percent of First-Class metered mail letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.
- E. What percent of First-Class non-automation machinable AADC letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.
- F. What percent of First-Class presorted letters is projected to be delivered to post office boxes in the test year? Please explain the basis for your answer and provide all calculations.

MMA/USPS-T22-29 Please refer to page 8 of your Direct Testimony, where you state “[m]y analysis relies upon shape-specific CRA mail processing unit costs, which are reported by cost pool in the In-Office Cost System (IOCS).”

- A. Please provide a complete definition of the 1CANCMPP and LD79 cost pools.
- B. If workshare mail is plant loaded in a First-Class mailer's facility, does the mail bypass the operations for which costs are included in the 1CANCMPP Cost Pool? If no, please explain your answer fully.
- C. Please state which cost pool includes costs associated with having USPS personnel accept First-Class workshare mail when such mail is plant loaded at the mailers' facility.
- D. Please state which cost pool includes costs associated with having USPS personnel accept First-Class bulk metered mail when such mail is delivered to a USPS window or loading dock.
- E. For the Base Year and the most recent 12 months for which information is available, how many First-Class automation mailers has the USPS made arrangements with to have their high volume automation mail plant loaded?
- F. For the Base Year and the most recent 12 months for which information is available, how many geographically distinct First-Class mailer facilities are covered by plant loading arrangements?
- G. Please provide all documents describing the policies and criteria used by the USPS in deciding which First-Class mailers should plant load their automation mail.
- H. When did the Postal Service first begin having First-Class mailers plant load their automation mail?

- I. For each year since the Postal Service began having First-Class automation mailers plant load their mail, please provide the total number of First-Class mail letters that were plant loaded. Please provide the sources for you answer.
- J. Please provide all studies or other documents which describe and/or quantify the cost savings and other benefits that the USPS derives from having First-Class mailers plant load their mail.

MMA/USPS-T22-30 Please refer to page 8 of your Direct Testimony. For the Test Year in this proceeding, please provide the window service costs, by shape, and transportation costs, by shape, under (a) the Commission's costing methodology and (b) the costing method proposed by the Postal Service.

MMA/USPS-T22-31 Please refer to Library Reference USPS-LR-J-60, particularly your model cost derivations for automation and nonautomation First-Class and Standard letters.

- A. Please confirm that your mail flow models for each of the corresponding automation presort levels, mixed AADC, AADC, 3-Digit and 5-Digit, are nearly identical, with the only change being a small difference in the Accept/Finalization rates. If you cannot confirm, please explain.
- B. Please confirm that your cost models for each of the corresponding automation presort levels, mixed AADC, AADC, 3-Digit and 5-Digit, are nearly identical, with the only change (aside from that discussed in part A) being a small difference in the premium pay factor. If you cannot confirm, please explain.
- C. Please confirm that you used identical productivities for First-Class and Standard Mail letters in your analyses. If you cannot confirm, please explain.
- D. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters. If you cannot confirm, please explain and provide the corrected results.

Comparison of First-Class and Standard Mail Model Unit Costs

Rate Category	Model Costs		Difference
	First Class	Standard	
Automation Mixed AADC	4.280	4.173	0.106
Automation AADC	3.368	3.286	0.082
Automation 3-Digit	3.017	2.942	0.074
Automation 5-Digit	1.823	1.778	0.045
Nonautomation Nonmachinable Mixed AADC	17.756	17.110	0.646
Nonautomation Nonmachinable AADC	12.236	12.078	0.158
Nonautomation Machinable Mixed AADC	4.192	4.097	0.095
Nonautomation Machinable AADC	4.192	4.097	0.095
Nonautomation Nonmachinable 3-Digit	10.254	10.295	-0.041
Nonautomation Nonmachinable 5-Digit	5.709	5.888	-0.179
Nonautomation Machinable 3-Digit	3.933	3.843	0.090
Nonautomation Machinable 5-Digit	3.933	3.843	0.090

- E. Please confirm that, except for nonautomation nonmachinable 3-Digit and 5-Digit letters. First-Class letters have a slightly higher unit mail processing cost than Standard Mail letters that can, for the most part, be tied to the premium pay factor. If you cannot confirm, please explain.
- F. Please confirm that for nonautomation nonmachinable 3-Digit and 5-Digit letters, First-Class costs less than Standard Mail because its lower package sorting costs more than offset the impact of the premium pay factor. If you cannot confirm, please explain.
- G. Please confirm the results from your cost models shown in the table below for automation and nonautomation letters mail package sorting costs. If you cannot confirm, please explain.

Comparison of First-Class and Standard Mail Package Sorting Costs

Rate Category	Package Sorting Cost		Difference
	First Class	Standard	
Nonautomation Nonmachinable Mixed AADC	2.311	2.129	0.182
Nonautomation Nonmachinable AADC	1.980	2.129	-0.149
Nonautomation Nonmachinable 3-Digit	0.593	0.927	-0.334
Nonautomation Nonmachinable 5-Digit	0.593	0.927	-0.334

- H. Please describe and define package sorting costs. explain why package sorting costs are only incurred by nonmachinable letters (as opposed to machinable letters), and explain why the package sorting cost per piece is so high?
- I. Why are package sorting costs for Standard Mail higher than those for First-Class Mail for the AADC, 3-Digit and 5-Digit presort levels, but lower than the costs of First-Class Mail for the Mixed AADC presort level?
- J. Please explain why the average weight for a Standard Mail letter, which is 64% higher than the average weight for a First-Class letter, has no effect on the unit costs derived from your mail flow models.

MMA/USPS-T22-32 Please refer to Library Reference USPS-LR-J-60, particularly your CRA costs for automation First-Class and Standard letters on pages 8 and 60.

- A. Please confirm the CRA cost results as shown in the table below for automation letters. If you cannot confirm, please explain.

Comparison of First-Class and Standard Mail Letter CRA Unit Costs

Source	Cost Pool Abbreviation	FCM Auto	Standard Auto	Difference
BMCS	NMO	0.000	0.013	-0.013
BMCS	OTHR	0.000	0.107	-0.106
BMCS	PLA	0.000	0.086	-0.086
BMCS	PSM	0.000	0.002	-0.002
BMCS	SPB	0.000	0.014	-0.014
BMCS	SSM	0.000	0.052	-0.052
MODS 11	BCS/	0.209	0.225	-0.016
MODS 11	BCS/DBCS	0.874	0.894	-0.020
MODS 11	OCR/	0.097	0.123	-0.026
MODS 12	FSM/	0.006	0.015	-0.010
MODS 12	FSM/1000	0.000	0.003	-0.003
MODS 12	LSM/	0.000	0.000	0.000
MODS 13	MECPARC	0.001	0.000	0.001
MODS 13	SPBS OTH	0.005	0.022	-0.017
MODS 13	SPBSPRIO	0.002	0.001	0.001
MODS 13	1SACKS_M	0.015	0.021	-0.006
MODS 14	MANF	0.003	0.004	-0.001
MODS 14	MANL	0.188	0.239	-0.051
MODS 14	MANP	0.001	0.003	-0.002
MODS 14	PRIORITY	0.001	0.000	0.001
MODS 15	LD15	0.050	0.031	0.019

**Comparison of First-Class and Standard Mail Letter CRA Unit Costs
(continued)**

Source	Cost Pool Abbreviation	FCM Auto	Standard Auto	Difference
MODS 17	1BULK PR	0.007	0.006	0.001
MODS 17	1CANCMP	0.049	0.023	0.026
MODS 17	1OPBULK	0.057	0.186	-0.129
MODS 17	1OPREF	0.224	0.217	0.007
MODS 17	1PLATFRM	0.288	0.339	-0.051
MODS 17	1POUCHNG	0.130	0.132	-0.002
MODS 17	1SACKS_H	0.042	0.051	-0.009
MODS 17	1SCAN	0.018	0.011	0.007
MODS 18	BUSREPLY	0.001	0.000	0.001
MODS 18	EXPRESS	0.001	0.000	0.000
MODS 18	MAILGRAM	0.000	0.000	0.000
MODS 18	REGISTRY	0.001	0.001	0.000
MODS 18	REWRAP	0.002	0.001	0.001
MODS 18	1EEQMT	0.005	0.017	-0.012
MODS 19	INTL	0.004	0.000	0.003
MODS 41	LD41	0.035	0.032	0.004
MODS 42	LD42	0.000	0.001	-0.001
MODS 43	LD43	0.107	0.100	0.007
MODS 44	LD44	0.064	0.030	0.034
MODS 48	LD48 EXP	0.000	0.000	0.000
MODS 48	LD48_SSV	0.010	0.006	0.004
MODS 49	LD49	0.187	0.027	0.159
MODS 79	LD79	0.023	0.030	-0.006
MODS 99	1SUPP_F1	0.040	0.045	-0.005
MODS 99	1SUPP_F4	0.061	0.034	0.027
NON MODS	ALLIED	0.206	0.153	0.053
NON MODS	AUTO/MEC	0.203	0.183	0.020
NON MODS	EXPRESS	0.000	0.000	0.000
NON MODS	MANF	0.002	0.003	-0.001
NON MODS	MANL	0.289	0.292	-0.003
NON MODS	MANP	0.001	0.002	-0.001
NON MODS	MISC	0.080	0.039	0.041
NON MODS	REGISTRY	0.005	0.000	0.005
		3.594	3.817	-0.222

- B. Please confirm the base year percentages for volume presorted by level shown in the table below. If you cannot confirm, please explain and provide the correct percentage.

**Comparison of First-Class and Standard Mail Automation Letters
Base Year Volume Percentages by Presort Level**

Rate Category	Base Year Volume %		Difference
	F-C Auto Letters	Std Auto Letters	
Automation Mixed AADC	6.14%	7.35%	-1.21%
Automation AADC	6.57%	8.97%	-2.40%
Automation 3-Digit	53.49%	48.67%	4.82%
Automation 5-Digit	31.17%	35.01%	-3.84%
Automation Car Route	2.63%		2.63%
Total	100.00%	100.00%	

- C. Please confirm that your model derived weighted average unit costs for First-Class Automation letters and Standard Automation letters are 2.683 cents and 2.656 cents, respectively, and that these derivations utilize the volume percentages shown in part B. If you cannot confirm please explain and provide the correct average unit costs.
- D. Please explain why your model costs indicate that First-Class Automation letters cost slightly more to process than Standard Automation letters, but actual CRA costs indicate that Standard Automation letters cost more to process than First-Class Automation letters.

